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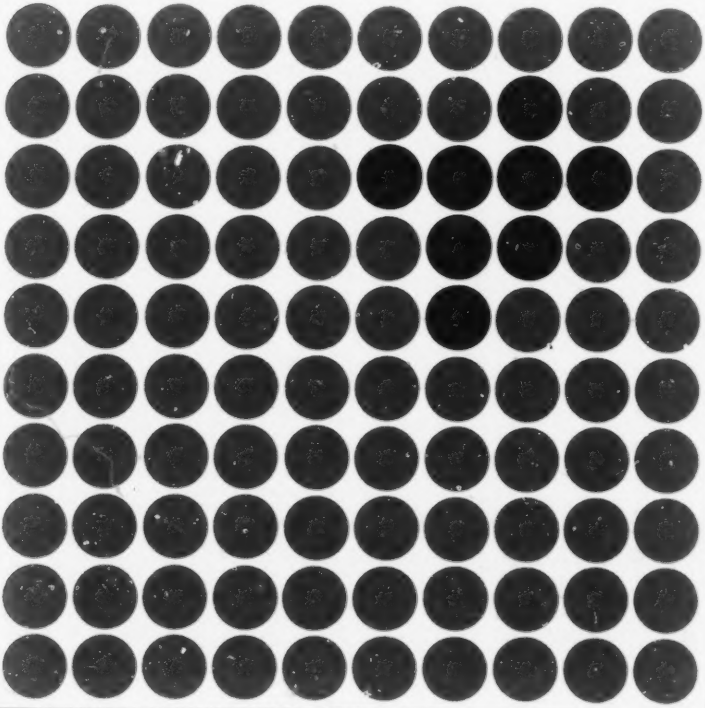
NEW GROUP HEALTH INSURANCE

BASED ON SURVEYS BY THE
HEALTH INSURANCE ASSOCIATION
OF AMERICA
POLICIES ISSUED IN 1981
FIVE YEAR TREND 1976-1981



NEW GROUP HEALTH INSURANCE

Based on Surveys of the Public Relations Division of the Health Insurance Association of America

Each year the Public Relations Division of the Health Insurance Association of America surveys new group health insurance policies written by insurance companies. This survey is of 4,120 new cases written between January 1 and March 31, 1981, by 33 companies, accounting for more than 63% of insurance company group health insurance premiums written in the U.S. in 1980.

The sample is considered broad enough to provide an accurate picture of new group cases* for the entire year. It includes 1,134,788 insured persons; 492,219 are employees and the remainder are their dependents. The group cases are broken into four sizes, by number of insured employees: fewer than 25, 25-99, 100-499, and 500 or more.

This booklet also contains a section comparing trends in new group plans over a five-year period, 1976-1981. The analysis focuses on employees in groups of 25 to 499 in order to guard against distortions that could result if any one survey period included either too many small cases or one or two extremely large cases.

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*A "new case" is one underwritten for the first time, or if previously issued, one that has had hospital-medical, dental, major medical, or disability income benefits added.

Contents

Highlights of 1981 New Group Plan Survey (All Employee Groups)

Comprehensive Major Medical Expense Coverage 3
Supplementary Major Medical Expense Coverage 4
Basic Expense Coverage 4
Intensive Care Coverage 5
Nursing Home Coverage 5
Home Health Care Coverage 5
Dental Coverage 6
All Groups With Medical Care Coverage 6
Short-term Disability Income Coverage 6
Long-term Disability Income Coverage 7

Trends in New Group Plans (1976-1981) (Groups with 25-499 Employees Only)

Major Medical Protection 8
Hospital Expense Coverage 9
Maximum Daily Hospital Benefits 10
Maximum Hospital Confinement Periods 11
Surgical Expense Benefits 11
Physicians' Expense Benefits 12
Disability Income Coverage 12
  Short-term Coverage 13
  Long-term Coverage 13
Dental Coverage 13
Maternity Coverage 14
Mental and Nervous Disorders 14
Continuation and Conversion Coverage 15
Dependent Protection 15
Cost Contributions 15

Summary: Extent of Coverage 1981 16

Highlights of the 1981 New Group Plan Survey
(All Employee Groups)

Please Note: This section reports the 1981 survey results for all *employee groups, regardless of size. The section beginning on page 8 reports trends in coverage only for groups with 25-499 employees.*

Of the 492,219 employees in the 1981 survey, 446,662 were covered by group cases written for the first time. Overall, 92% of all employees had health insurance coverage paid either entirely (37%) or in part (55%) by their employers.

Comprehensive Major Medical Expense Coverage

Of the 233,531 employees with *comprehensive major medical* expense plans:

- 36% had a single deductible of $100. An additional 24% were covered under deductible plans where a $100 deductible is applied to all medical expenses, with the exception of hospital, or surgical and hospital expense.

- 93% had maximum benefits of $100,000 or more. In fact, 86% had available to them benefits of $1 million or more, or no limit.

- 99% had benefits for treatment of nervous and mental disorders.

- 70% had out-of-pocket limits of $1,000 or less.

Supplementary Major Medical Expense Coverage

Of 123,045 employees with *supplementary major medical* expense plans:

- 62% had a single deductible of $100 before insurance benefits commenced; 10% had a $50 deductible.
- 88% had maximum benefits of $100,000 or more or unlimited benefits.
- 98% had benefits for treatment of nervous and mental disorders.
- 52% had out-of-pocket limits of $1,000 or less.

Basic Expense Coverage

Of 108,403 employees in the survey with basic *hospital expense* plans:

- 81% had insurance paying in full for semiprivate accommodations.
- 97% were insured fully for miscellaneous hospital expenses of $500 or more. 88% had unlimited coverage.

Of 88,851 employees with basic *surgical expense* plans, 90% had maximum benefits of $1,000 or more, including 35% with no maximum.

Among 78,988 employees with *medical benefits* to help pay in-hospital private physicians' fees, 82% had a maximum benefit of $10 or more.

Of 82,251 employees with basic *diagnostic X-ray coverage*, 85% had maximum benefits of $100 or more, including 11% with no limit. This coverage helps pay out-of-hospital diagnostic X-ray and laboratory services.

Intensive Care Coverage

Of the 366,423 employees with *intensive care* accommodation benefits:

- 58% had benefits equal to the hospital daily room and board rate, while 36% had no limit on the daily benefit.

Nursing Home Coverage

Of the 248,078 employees with *nursing home or extended care facility* coverage:

- 92% had daily room and board benefits of $30 or more, or coverage for a semiprivate room.

- 79% had coverage for 60 days or more of confinement; 38% had a maximum of 120 days or more.

Home Health Care Coverage

- Of the 140,340 employees covered for *home health care* expenses in lieu of hospitalization or confinement in an extended care facility:

- 96% were covered for physician, nursing and therapy services.

Dental Coverage

Of the 199,131 employees with *dental* coverage:

- 62% had comprehensive dental plans; 52% had a maximum annual benefit of $1,000 or more or no limit.

All Groups with Medical Care Coverage

Of the 462,527 employees with *medical* plans:

- 93% had benefits for dependents.
- 76% had some provision for continuation or conversion of the coverage at retirement or upon termination other than retirement.
- Excluding those employees with dental coverage only or disability income and dental coverage only, 97% had maternity benefits for themselves or their dependents.

Short-term Disability Income Coverage

Short-term disability income plans commonly provide benefits for periods of up to 13, 26 or 52 weeks. Of the 134,880 employees with these plans:

- 50% had benefits from the first day of disability due to accident and from no later than the eighth day because of sickness.
- 18% had 13-week benefit plans; 70%, 26-week plans; 12%, 52-week or 104-week plans.

Long-term Disability Income Coverage

Long-term disability income plans provide benefits for periods ranging from two years to age 65 or for life. Of the 47,633 employees with these plans:

- 35% had benefits beginning after six months of disability; 28% had benefits beginning after three months.
- 88% had benefit periods extending to age 65 or older for both accident and sickness.
- 62% had an average monthly benefit of $700 or more.

Trends in New Group Plans 1976-1981
(Groups with 25-499 Employees)

This section reports on trends in coverage for groups of 25-499 employees only. *The section beginning on page 3 reports 1981 data for all employee groups surveyed.*

During the five-year period from 1976-1981, benefits provided under new group insurance plans increased steadily.

These increases reflect employer and union efforts to keep employee insurance coverage in line with rising health care costs, and the improvement of health insurance plans to meet the employee's need for greater protection.

(Note: For analytical purposes, this section deals only with groups of 25-499 employees. These groups were taken to represent typical benefit patterns, and covered 157,601 employees in the 1981 survey and 94,936 employees in the 1976 survey.)

Major Medical Protection

Group major medical insurance coverage helps pay for virtually any type of medical care, in or out of hospital, provided a licensed physician prescribes it. Other characteristics of this coverage are high maximum benefits, a deductible amount the insured person must pay, and a co-insurance arrangement by which the insured person and the insurance company share other costs, the company share usually being 80%. Deductibles and co-insurance help keep premium costs down and discourage unnecessary utilization of health care services.

Group major medical policies fall into two categories:
(1) supplementary major medical expense plans that wrap around basic plans, mainly to provide benefits for prolonged illnesses, and (2) comprehensive major medical plans that incorporate in one plan both basic coverage and protection against catastrophic expenses.

In all these plans, there has been a marked trend toward higher maximum benefit levels. This is most clearly demonstrated by the fact that 94% of the surveyed employees in 1981 had maximum benefits of more than $100,000, compared with 81% in 1976.

Examination shows the 1981 figures are even more remarkable. Nearly 51% had maximums of $1 million and over, and an additional 34% had unlimited benefits.

Maximum Major Medical Benefit (Groups of 25-499 Employees)

Maximum Benefit	Percentage of Employees	
	1976	1981
$10,000	2.4%	1.8%
$15,000	.9	—
$20,000	2.2	.8
$25,000	5.1	—
$50,000	5.3	1.2
$100,000	3.3	2.5
$250,000	32.6	6.8
$250,001-$999,999	1.3	2.7
$1,000,000 and over	24.8	50.7
Unlimited	22.1	33.5

Hospital Expense Coverage

Basic group hospital expense plans provide benefits separately for hospital room and board and other hospital services—such as laboratory fees, drugs, dressings and X-rays.

Under some plans a fixed maximum benefit is paid for daily room and board. Other plans pay the full rate for semiprivate room and board.

Maximum Daily Hospital Benefits

Between 1976 and 1981, benefits in basic group plans increased dramatically. In 1976, 52% of employees had $100 a day or more in room and board benefits. By 1980, 95% had this benefit. There has been a trend to make benefit payments equal to a hospital's average semiprivate room and board charge. In 1976, 48% of employees had this "full payment" coverage, compared with 88% in 1981.

In 1976, 52% of employees had daily room and board benefits equal to or greater than the national average semiprivate room rate of $80; by 1981, more than 90% had benefits greater than the $145 national average semiprivate rate.

Maximum Daily Hospital Room and Board Benefits and Periods for Which They Will Be Paid (Groups of 25-499 Employees)

Maximum Daily Benefits	Percentage of Employees	
	1976	1980
Less than $50	12.0%	2.2%
$50—$59	15.8	.7
$60—$69	10.5	.2
$70—$79	8.0	1.6
$80—$89	1.1	.2
$90—$99	.8	.2
$100—$109	1.1	1.9
$110 or more	.5	4.1
Full payment—semiprivate	48.0	88.0
Full payment—ward	2.2	.9

continued on next page

	Percentage of Employees	
	1976	1980
Maximum Number of Days		
Under 70	34.1%	7.3%
70—119	25.7	20.0
120—189	24.8	30.7
190—359	—	2.0
360 or more	15.4	33.1
No maximum	—	6.9

Maximum Hospital Confinement Periods

The trend here is to provide more days of hospital care. In 1976, 40% of the employees were covered for 120 days and over. In 1981, 73% were so covered.

Surgical Expense Benefits

Group surgical expense plans help pay for physicians' fees for surgical procedures. Benefits are paid in one of two ways: according to a schedule specifying the maximum payment for each type of operation, or on a "reasonable and customary" basis.

The percentage of employees with "reasonable and customary" benefits increased sharply between 1976 and 1981. In 1976, 12% of the employees had this type of benefit; by 1981, the proportion was 53%.

Among the employees with other types of surgical benefits, 78% in 1981 had benefits of at least $1,000 for one or more operations, compared with 66% in 1976.

Maximum Surgical Benefit (Groups of 25-499 Employees)

Maximum Benefit	Percentage of Employees	
	1976	1981
Less than $800	24.4%	7.8%
$800—$999	5.6	2.5
$1,000—$1,499	44.0	13.2
$1,500—$1,999	7.9	7.4
$2,000—$2,999	5.6	8.3
$3,000 or more	.4	6.7
No maximum	.3	1.4
Reasonable and Customary	11.8	52.7

Physicians' Expense Benefits

Group basic medical expense plans provide benefits for physicians' services other than surgery. Most often these benefits apply only to physician hospital visits, but some cover physicians' fees for home or office visits. Benefits may also apply to out-of-hospital laboratory and X-ray expenses.

In 1981, 51% of employees with regular medical expense coverage had maximum benefits of $10 or more toward the cost of each physician hospital visit. In 1976, 25% of employees had such maximum benefits. However, these figures do not include in-hospital benefits on a "reasonable and customary" basis; in 1976, only 9% of covered employees had this type of benefit compared with 31% in 1981.

Disability Income Coverage

Group disability income plans are designed to help pay a portion of an employee's lost wages during disability. Benefits are usually provided, on a weekly or monthly basis, while the employee is totally disabled. Under short-term plans, benefits generally begin

after a few days' absence and may be payable for up to two years. Long-term plans provide benefits for two years or longer—sometimes to age 65 or for life. Most plans cover both occupational and non-occupational disabilities, but where Workers' Compensation benefits apply, disability plan benefits are normally reduced.

Short-term Coverage

Short-term disability income plans provide benefits up to 13, 26, 52 or 104 weeks depending on the contract. Most plans are for a 26-week period.

The ratio of employees with 26-week plans providing maximum weekly benefits of $150 or more increased from 25% in 1976 to 47% in 1981.

Short-term Disability Income Coverage (Groups of 25—499 Employees)

Type of Plan	Percentage of Employees	
	1976	1981
13-week plans	36.0%	20.4%
26-week plans	55.9	72.1
52-week and 104-week plans	8.1	7.5

Long-term Coverage

Group long-term disability income plans generally provide benefits up to age 65. In 1976, 87% of the employees having long-term disability coverage were insured through group plans providing both accident and sickness benefits to age 65 or older. In 1981, 89% were so covered. In 1981, 72% had a maximum available monthly income benefit of $2,000 or more, up from 21% in 1976.

Dental Coverage

Group dental expense insurance helps pay for both dental services and supplies.

In 1976, 17% of the employees had this coverage compared with 35% in 1981. The majority of plans are comprehensive and contain deductibles, co-insurance and annual maximum benefit features. In 1976, 66% of those covered had a comprehensive plan, and 65% of these had an annual maximum benefit which was at least $1,000. In 1981, 78% had comprehensive plans, and 88% of this group had maximums of $1,000 or more.

The proportion of employees covered under combination type plans was about the same in 1976 and 1980—19% and 20%, respectively. Under this type of plan, there is a combination of a deductible and reimbursement dependent on a listed schedule.

Maternity Coverage

The majority of employees with medical insurance over the 1976-1981 period had maternity coverage under their group medical expense plans for themselves or their spouses. It provides a stated benefit for hospital care as well as an allowance for the attending physician.

In 1976, 65% of employees with medical insurance had some form of maternity protection for either themselves or their spouses, compared with 97% in 1981.

Mental and Nervous Disorders

Ninety-seven percent of employees with group major medical coverage had some type of coverage for nervous and mental disorders in 1976, compared with 96% in 1981. Of those who had this coverage in 1981, 66% were insured in full for the hospital charges, compared to 1976 when 64% were insured in full.

Continuation and Conversion Coverage

In 1976, 90% of employees had some type of arrangement available to them by which they could continue their coverage upon termination of employment. In 1981, 86% had continuation and/or conversion coverage. Coverage for employees was provided through a continuation of the group plan at retirement for 23% in 1976 and 20% in 1981. Another way of having continued coverage—through conversion to an individual plan without a medical examination—was available to 89% of employees surveyed in 1976, and to 86% of employees in 1981.

Dependent Protection

Practically all group medical plans insure dependents. For example, 94% of the employees in the 25-499 size groups surveyed in 1981 had plans providing dependent coverage. This ratio is about the same as in 1976, when 95% had dependent coverage.

Cost Contributions

In 1981, the total cost of group health insurance programs was paid for by employers for 39% of employees, while 56% of employees shared the premium costs, most on a 50/50 basis with their employers, and 5% of employees paid it all themselves.

Contributory Status (Groups of 25-499 Employees)	Percentage of Employees	
	1976	1981
Employee pays entire premium	5.0%	5.4%
Employer pays entire premium	38.1	38.6
Employer pays part of premium:		
Less than 50%	10.9	9.5
50% or more	46.0	46.5

Summary: Extent of Coverage

The following table provides data on the percentage of all employees surveyed (492,219) and of employees in the surveyed group cases with 25-499 (157,601) employees in 1981 with each type of coverage.

Type of Coverage	Percentage of Employees	
	All Employees Surveyed	Groups of 25-499 Employees
Basic	23.0%	24.6%
Hospital	22.0	23.1
Surgical	18.1	21.8
Regular medical	16.0	18.3
In-hospital	16.0	18.3
In-office	1.4	2.5
In-home	1.4	2.4
Diagnostic X-ray and laboratory	16.7	19.4
Dental	40.5	35.2
Supplementary major medical	25.0	25.7
Comprehensive major medical	47.4	50.4
Nursing home	50.4	49.0
Short-term disability	27.4	23.4
Long-term disability	9.7	11.3

Single copies of the complete tables of the 1981 survey of New Group Health Insurance Policies issued by insurance companies are free from Statistical Services, Public Relations Division, Health Insurance Association of America, 1850 K Street N.W., Washington, D.C. 20006.

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